

September 22, 2020

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Re: Docket No. RU-00000A-18-0284 –Western States Petroleum Association  
Comments on Commissioner Amendments and the Arizona Corporation  
Commission Staff's Proposed Energy Rules

The Western States Petroleum Association ("WSPA") hereby submits these comments to the above-captioned docket in response to Chairman Burns' Proposed Revised Amendments filed on September 11, 2020 and the Arizona Corporation Commission ("Commission") Staff's draft of Possible Modifications to the Commission's Energy Rules ("Staff's Proposed Rules") filed on July 29, 2020.

WSPA is a non-profit trade association that represents companies that account for the bulk of petroleum exploration, production, refining, transportation, and marketing in the five western states of Arizona, California, Nevada, Oregon, and Washington. WSPA encourages the Commission to avoid formalizing any energy rules that would exclude the procurement of certain types of fuel and technology resources, essentially picking winners and losers, without considering a more flexible option that would allow the most cost effective and reliable resources to provide the desired emissions characteristics and provide critical baseload power.. WSPA supports the three pillars that should serve as the foundation of any energy rules that were discussed in the letter filed by Commissioner Márquez-Peterson in this docket: reliability; sustainability; and cost-effectiveness.

As previously noted by WSPA in its July 27, 2020 comments filed in this docket, any 100% Clean Energy Standard ("CES") or 100% Carbon Reduction Standard leaves little room for flexibility related to fuel-, technology-, or reliability-based needs as 2040 and 2050 approach. California, thanks in large part to the recent shuttering of natural gas plants and high reliance on renewables, recently experienced rolling blackouts due to extreme heat during peak hours and a lack of capacity on the regional grid. During these several days, natural gas supplied between 45-52% of the energy on the grid (up from a daily average of 30 percent baseload generation). The blackouts had unprecedented impacts on the reliability of the entire Southwest region as regional reserve margins dwindled to meet demand, leaving few resources available. Natural gas, which provides critical baseload power even during times of high renewable generation, will be essential to ensure that the reliability of the regional grid is kept at a safe level for operation. Any rules that the Commission adopts today should be sufficiently flexible to allow for reliability-based resources to be included within a utility's resource portfolio. Prematurely choosing what resources should serve Arizona will eliminate the ability for

utilities to choose the most cost-effective option, thus leading to higher rates for customers in the future, and may impair reliability.

Staff's Proposed Rules, Chairman Burns' Proposed Revised Amendment No. 1, and Commissioner Kennedy's Amendments, specifically Kennedy Proposed Amendment No. 4, pick winners and losers rather than allowing resources to compete in the market, and may constrain Arizona utilities from continuing to deliver their customers cost-effective and reliable energy. The very existence of a 100% CES or 100% Carbon Reduction Standard renders any proposed "All Source" Request for Proposal ("RFP") a misnomer, given the unlikelihood that a utility bound by either standard would choose a resource that is not "clean" energy to supply its resource needs. By operation, the "All Source" RFP will become a "CES" RFP. To address these issues, WSPA proposes that the CES or Carbon Reduction Standard include a reliability carve-out that will allow a utility the flexibility to procure non-CES resources as needed to maintain the reliability of the electric grid. Although WSPA supports the Burns' Proposed Revised Amendment No. 1 changes to the language of the "All Source" RFP provision by removing the glaring exception to the rule,<sup>1</sup> without any reliability carve-out, the 100% CES or Carbon Reduction Standard effectively reduces the "All Source" RFP process to "All Source" in name only.

In addition, while Burns' Proposed Revised Amendment No. 2 eliminates the clean energy standard and would rely solely on a detailed resource planning process, WSPA is concerned that the bureaucratic nature of that process – requiring Commission approval of the RFP language after detailed stakeholder review – would eliminate any ability for a utility to procure resources to preserve reliability. Without stronger protections for utilities to acquire reliability-based resources through the Burns' proposed "All Source" RFP process, concerns about the reliability of the regional grid will continue to exist.

In the wake of California's recent experience, the Commission should adopt Energy Rules that enable utilities to procure resources that prove to be both cost effective for ratepayers and critical for the effective and reliable operation of the grid. Wholly eliminating the ability for resources like natural gas to compete in the market will create unintended consequences, including issues with reliability and increased cost to ratepayers.

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<sup>1</sup> Pursuant to Staff's Proposed Rule R14-2-2713(6), a utility need not issue an "All Source" RFP if the procurement transaction "is necessary to meet the Load Serving Entities obligations under [th]is Article." This is the exception that undermines the rule, given that the 100% CES is one such utility obligation – a utility would never have to issue an RFP, let alone an "All-Source" RFP, if this exception remains in the rules.

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Sincerely,

Western States Petroleum Association

/s/ Margo Parks

By: Margo Parks, Director, Policy and  
Regulatory Affairs

Copy filed this 22nd day of September,  
2020, with:

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